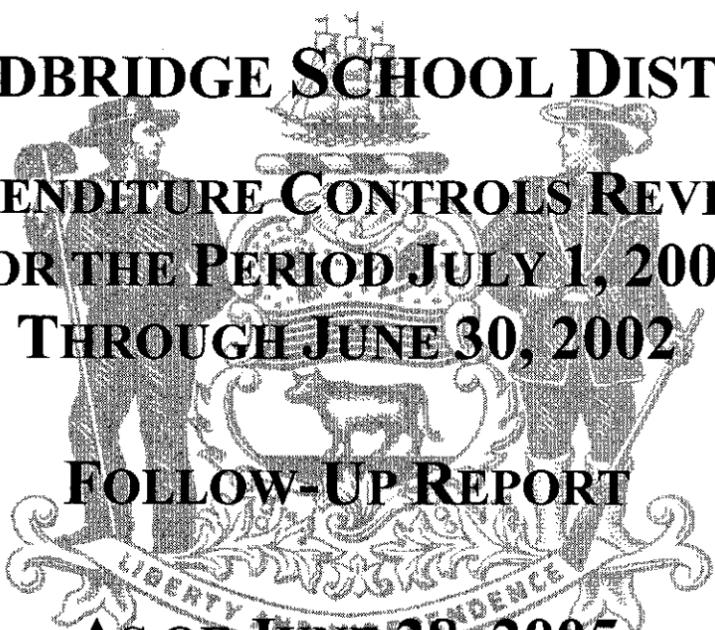


STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

WOODBRIIDGE SCHOOL DISTRICT
EXPENDITURE CONTROLS REVIEW
FOR THE PERIOD JULY 1, 2001
THROUGH JUNE 30, 2002
FOLLOW-UP REPORT
AS OF JUNE 28, 2005

The seal of the State of Delaware is centered behind the text. It features a shield with a ship on the left and a plow on the right, with a banner at the bottom that reads "LIBERTY AND INDEPENDENCE".

R. THOMAS WAGNER, JR., CGFM, CFE
AUDITOR OF ACCOUNTS

Executive Summary

The Office of Auditor of Accounts (AOA) completed a follow-up engagement to determine if recommendations were implemented for the following report, which was issued on September 15, 2003:

Woodbridge School District Expenditure Controls Review For the period July 1, 2001 through June 30, 2002

The results of the follow-up engagement are summarized below:

Policies and Procedures:

- AOA recommended that Woodbridge School District (the District) develop written policies and procedures related to expenditure transactions. The District implemented the recommendation and now has sufficient policies and procedures.

Segregation of Duties:

- AOA recommended that the District segregate duties so that no one employee has complete control over the processing of transactions. The District did not implement the recommendation and has not properly segregated duties or put into place other mitigating controls.

Transaction Authorization:

- AOA recommended that the District obtain appropriate authorizing signatures prior to processing payments. The District implemented the recommendation.

Returned Vendor Checks – Support Documentation:

- AOA recommended that the District maintain proper support for checks that are returned to the District for mailing. The District implemented the recommendation.
- AOA recommended that the checks not be returned to the same person responsible for preparation/data entry/electronic authorization (segregation of duties). The District did not implement this recommendation.

Returned Vendor Checks – Prepayment of Goods or Services:

- AOA recommended that the District comply with the Delaware Budget and Accounting Manual by making payment after goods/services are received. The District partially implemented the recommendation. The District did not always maintain clear documentation of receipt of goods.

Executive Summary

Incorrect Object Codes:

- AOA recommended that the District establish controls to review object codes for accuracy. The District partially implemented the recommendation. All documents tested contained the proper object codes; however, per inquiry of District officials, object codes were not reviewed for accuracy.

Numerous Payments to Vendors:

- AOA recommended that the District implement procedures to facilitate the reduction in the number of payments to vendors. The District implemented the recommendation.

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Audit Authority

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies. The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued generally accepted auditing standards; and the U.S. General Accounting Office, which has issued generally accepted government auditing standards.

Background

On September 15, 2003, the Office of Auditor of Accounts (AOA) issued the following report:

Woodbridge School District Expenditures Controls Review
For the period July 1, 2001 through June 30, 2002

During that engagement, AOA reviewed expenditure controls for transactions less than or equal to \$2,500. The controls were reviewed to determine (1) the adequacy of internal control policies and procedures, (2) if the policies and procedures were followed and working effectively, and (3) whether expenditures were legal and proper. The review identified the following weaknesses:

Policies and Procedures

Woodbridge School District did not have internal written policies and procedures documenting their system of internal control over expenditures.

Segregation of Duties

Individuals preparing the accounting documents were also responsible for data entering, applying electronic agency level approvals in the Delaware Financial Management System (DFMS), mailing vendor checks, and reconciling transactions.

Transaction Authorization

Two of ten payment vouchers (PV's) examined did not contain the proper authorizations necessary for a transaction to process.

Returned Vendor Checks – Support Documentation

There was no documentation to support when eight of ten vendor checks returned to the District were mailed to the vendor. One PV contained no documentation to support an expenditure for lodging.

Returned Checks – Prepayment of Goods and Services

Vendor payments were made prior to receipt of goods/service in order for the District to avoid Fiscal Year 2002 monies from reverting to the State's General Fund. Two of ten checks reviewed were for prepayment of goods/services not to be provided until Fiscal Year 2003.

Incorrect Object Codes

Disbursements were found to have incorrect coding. Two vendor payments were found to have incorrect object codes.

Numerous Payments to Vendors

AOA found numerous payments made to the same vendor throughout the year. One vendor received 73 payments, one received 64, and another received 33. There were twenty-seven vendors that received more than twelve payments during Fiscal Year 2002.

Objective, Scope, and Methodology

OBJECTIVE AND SCOPE

The objective of the follow-up engagement was to identify and evaluate the adequacy of management actions in response to the findings and recommendations included in the final report of the Woodbridge School District Expenditure Controls Review issued on September 15, 2003.

The scope of the follow-up engagement was limited to the findings and recommendations in the above aforementioned report. The previous findings and recommendations included the areas of Internal Control Policies and Procedures, Segregation of Duties, Transaction Authorization, Returned Vendor Checks, Incorrect Object Codes and Numerous Payment to Vendors. Testing of the status of the previous recommendations was performed for the period from July 1, 2004 through April 30, 2005.

METHODOLOGY

AOA conducted this engagement in accordance with generally accepted government auditing standards (GAGAS). Our procedures consisted of interviews and inquiry of key personnel; inspection and confirmation of documentation; observation of procedures; and performing tests of key controls when considered necessary.

Status of Prior Year Findings and Recommendations

The following table summarizes prior year findings, recommendations, management responses, and the results of the current year follow-up engagement for the *Woodbridge School District Expenditure Controls Review Report* issued September 15, 2003.

Finding	Recommendation	Response	Current Year Status *
<i>Policies and Procedures</i>			
The District does not have written policies or procedures documenting their system of internal control over expenditures.	Develop written policies and procedures for establishing and maintaining a system of internal controls over expenditures in accordance with the Delaware Budget and Accounting Manual.	The District is in the process of contacting neighboring districts to request a copy of their district's policy and procedures regarding internal controls. These documents will be reviewed and revised to develop a Woodbridge School District manual.	Implemented.
<i>Segregation of Duties</i>			
There is a lack of segregation of duties over the processing of accounting transactions at the District.	The duties of data entry, electronic approval, mailing of checks, and reconciliation be segregated among different officials so that no one employee has complete control over the processing of transactions.	Without a change in the state secretarial allocation formula, it is practically impossible to further segregate and at the same time efficiently process our transactions.	Not Implemented. AOA recommended specific controls to the District for segregating duties among different individuals so that no one employee has complete control over the processing of transactions.

Status of Prior Year Findings and Recommendations

Finding	Recommendation	Response	Current Year Status*
<i>Transaction Authorization</i>			
Without proper approval of expenditures, the District cannot ensure that all payments made are appropriate.	The District ensure that the appropriate authorizing signatures for their PV's be obtained before documents are processed.	The PV's were processed without the authorizing stamp of the District's Board President in error.	Implemented.
<i>Returned Vendor Checks – Support Documentation</i>			
Support documentation was inadequate and/or missing for vendor checks not mailed directly to the applicable vendors but instead returned to the District for mailing.	Supporting documentation should include a copy of the mailed check, the date the check was mailed/delivered to the payee, and invoices, etc. should be maintained and systematically filed.	The check will be photocopied, attached to the supporting documentation, and dated as to when received and sent.	Implemented.
All checks were returned to the same individual responsible for preparation / data entry and electronic authorization of the PV.	Checks returned to the District for disposition should not be returned to the same person responsible for preparation/data entry and electronic authorization of the PV.	Without a change in the secretarial allocation formula, it is practically impossible to further segregate and at the same time efficiently process transactions.	Not implemented. AOA recommended specific controls to the District for segregating duties so that checks are not returned to the same person responsible for preparation/data entry/electronic authorization.

Status of Prior Year Findings and Recommendations

Finding	Recommendation	Response	Current Year Status*
<i>Returned Vendor Checks – Prepayment of Goods or Services</i>			
Two vendor checks were for goods or services not yet received.	The District comply with the Delaware Budget and Accounting Manual (DBAM) by making payment only after goods/services are received.	The District will endeavor to comply with the DBAM and make payment only after goods and services are received.	Partially implemented. The District did not always maintain clear documentation of receipt of goods; therefore, it could not be determined whether goods/services were received prior to payment.
<i>Incorrect Object Codes</i>			
Two vendor payments were found to have incorrect object codes.	The District establish and implement accounting controls over expenditures to include procedures that object codes be reviewed for accuracy.	The District will make the changes to the object codes as recommended.	Partially implemented. All documents tested contained the proper object codes; however, per inquiry of District officials, object codes are not reviewed for accuracy.
<i>Numerous Payments to Vendors</i>			
Numerous payments were made to the same vendor throughout the year. One vendor received 73 payments, one received 64, and another received 33. There were twenty-seven vendors that received more than twelve payments during Fiscal Year 2002.	The District implement procedures to facilitate the reduction in the number of payments to each vendor, each month.	The District has endeavored to pay all invoices in a timely manner. The District understands the efficiency of “batching” invoices on one PV and will if possible.	Implemented.

Status of Prior Year Findings and Recommendations

*** Status Key:**

- **Implemented:** The concern has been addressed by implementing the original or an alternate corrective action.
- **Not Implemented:** The corrective action has not been initiated.
- **Partially Implemented:** The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

Distribution of Report

Copies of this report have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Richard S. Cordrey, Secretary, Department of Finance
The Honorable Jennifer W. Davis, Budget Director, Office of the Budget

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable M. Jane Brady, Attorney General, Office of the Attorney General

Other

Dr. Joseph A. Pika, President, State Board of Education
Ms. Dorcell S. Spence, Associate Secretary of Education, Finance and Administrative
Services Branch, Department of Education
Mr. Jerry Gallagher, Director, Financial Management, Department of Education
Ms. Becki Surguy, Accountant V, Division of Accounting, Department of Finance
Mr. Willis G. Dewey, President, Board of Education, Woodbridge School District
Members, Board of Education, Woodbridge School District

This report is also available at no charge on the Office of Auditor of Accounts website at www.state.de.us/auditor/index.htm or by requesting a copy in writing to:

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